

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Mecosta Township	County Mecosta
Audit Date 3/31/05	Opinion Date 5/16/05	Date Accountant Report Submitted to State: 7/11/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 7/11/05

MECOSTA TOWNSHIP, MECOSTA COUNTY

STANWOOD, MICHIGAN

MARCH 31, 2005

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

MARCH 31, 2005

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134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

May 16, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Mecosta Township
Mecosta County
Stanwood, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta Township, Stanwood, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Township's Management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta Township, Stanwood, Michigan, as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Mecosta Township, Stanwood, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Mecosta Township, a general law township located in Mecosta County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Mecosta Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005. In future years, comparative information will be provided.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$782,798. Of this amount, \$265,971 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$248,855 or 63.37% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Mecosta Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government and administration, public safety, public works, economic development, and other functions. The township supports no business-type activities.

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$782,798 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore, only one year of data is shown. A useful comparative analysis will be presented in future years when the information is available.

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Mecosta Township
Net Assets as of March 31, 2005

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 474,158
Non Current Assets	
Capital Assets	\$ 396,764
Less: Accumulated Depreciation	(78,417)
Total Non Current Assets	\$ 318,347
Total Assets	\$ 792,505
Liabilities	
Current Liabilities	\$ 9,707
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 318,347
Restricted for Specific Purposes	198,480
Unrestricted	265,971
Total Net Assets	\$ 782,798
Total Liabilities and Net Assets	\$ 792,505

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire or construct the asset.

At the end of the current fiscal year, the Township is able to report positive balance in net assets for the government as a whole.

The total net assets of the Township increased by \$85,803 or 12.31% in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Mecosta Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2005

		<u>Governmental Activities</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$	29,600
General Revenues		
Taxes		170,668
State Shared Revenue		161,649
Unrestricted Investment Earnings		9,672
Other		<u>18,179</u>
Total Revenues	\$	<u>389,768</u>
<u>Expenses</u>		
Legislative	\$	26,790
General Government, Administrative		170,028
Public Safety		79,657
Public Works		4,647
Economic Development		13,614
Recreation and Culture		1,053
Other Functions		<u>8,176</u>
Total Expenses	\$	<u>303,965</u>
Changes in Net Assets		85,803
NET ASSETS – Beginning of Year		<u>696,995</u>
NET ASSETS – End of Year	\$	<u><u>782,798</u></u>

Governmental Activities

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$85,803 or 12.31% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

The most significant part of the revenue for all governmental activities of Mecosta Township comes from property taxes. The Township levied operating and fire protection millages, this fiscal year. The Township levied 1.2500 mills for operating purposes and 1.4352 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general government expenses that total 55.94% of total expenses. The Township spent \$170,028 in fiscal year 2005 on general government expenses. Public safety expenses represented the next largest expense at \$79,657 followed by legislative at \$26,790. These represent 26.21% and 8.81% respectively. Expenses for salaries, represent a large portion of the general administrative expenses at \$66,677. Depreciation expense added another \$15,684.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Mecosta Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Mecosta Township's governmental funds reported combined ending fund balances of \$464,392. Approximately 53.59% of this total amount (\$248,855) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures, that will enhance fire protection.

General Fund – The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$248,855. Unreserved fund balance represents 63.37% of total general fund expenditures. All of the General Fund's functions, except for Building and Grounds, ended the year with expenditures below budgeted amounts. The Building and Grounds differential is minor and was funded by available fund balance.

The fund balance of the Township's general fund decreased by \$79,813 during the current fiscal year. The major factor for the decrease was due to the construction of new roads.

Fire Fund – The Township did once again levy a fire millage on the 2004 tax roll. Tax related revenues totaled \$75,551. The only expenditure was aide to the Mecosta-Austin Fire Department.

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2005 amounted to \$318,347 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 64.40%.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Mecosta Township
Capital Assets as of March 31, 2005

		Governmental Activities
Land and Land Improvements	\$	21,889
Buildings		175,834
Infrastructure		97,714
Improvements		4,498
Machinery and Equipment		96,829
	\$	396,764
Less Accumulated Depreciation		78,417
Net Capital Assets	\$	318,347

Major capital asset events during the current fiscal year included the following:

- ◆ Township bought property for \$18,580.
- ◆ Township bought and installed an air conditioner for \$9,490
- ◆ Township bought a generator for \$6,308.
- ◆ Township paved local roads for \$94,944.

Long-Term Debt. Mecosta Township has no obligations for any long-term debt as of March 31, 2005.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Mecosta Township at P.O. Box 127, Stanwood, MI 49346.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 414,303
Receivables	
Taxes	10,996
Due from Other Governments	23,338
External Parties (Fiduciary Funds)	8,464
Prepaid Expenses	<u>17,057</u>
Total Current Assets	<u>\$ 474,158</u>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	\$ 21,889
Buildings	175,834
Infrastructure	97,714
Improvements Other Than Buildings	4,498
Machinery and Equipment	<u>96,829</u>
	<u>\$ 396,764</u>
Less Accumulated Depreciation	<u>(78,417)</u>
Net Capital Assets	<u>\$ 318,347</u>
TOTAL ASSETS	<u>\$ 792,505</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 5,772
Payroll Withholding	3,160
Customer Deposits	<u>775</u>
Total Current Liabilities	<u>\$ 9,707</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	\$ 318,347
Restricted for Specific Purposes	198,480
Unrestricted	<u>265,971</u>
TOTAL NET ASSETS	<u>\$ 782,798</u>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

				NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS
		PROGRAM REVENUES		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING	TOTALS
			GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>				
Legislative	\$ 26,790	\$ 0	\$ 0	\$ (26,790)
General Government	170,028	3,668	0	(166,360)
Public Safety	79,657	25,932	0	(53,725)
Public Works	4,647	0	0	(4,647)
Economic Development	13,614	0	0	(13,614)
Recreation and Culture	1,053	0	0	(1,053)
Other Functions	8,176	0	0	(8,176)
Total Governmental Activities	\$ 303,965	\$ 29,600	\$ 0	\$ (274,365)

GENERAL REVENUES

Taxes	\$ 170,668
State Shared Revenue	161,649
Unrestricted Investment Earnings	9,672
Other	18,179
Total General Revenues	\$ 360,168
Change in Net Assets	\$ 85,803
<u>NET ASSETS</u> - Beginning of Year	696,995
<u>NET ASSETS</u> - End of Year	\$ 782,798

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2005

	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 223,122	\$ 191,181	\$ 414,303
Taxes Receivable	6,109	4,887	10,996
Due from Other Funds	8,464	0	8,464
Due from Other Governments	23,338	0	23,338
Prepaid Expenditures	17,057	0	17,057
TOTAL ASSETS	<u>\$ 278,090</u>	<u>\$ 196,068</u>	<u>\$ 474,158</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 5,772	\$ 0	\$ 5,772
Payroll Withholdings	3,160	0	3,160
Customer Deposits	775	0	775
Deferred Revenue	33	26	59
	<u>\$ 9,740</u>	<u>\$ 26</u>	<u>\$ 9,766</u>
<u>FUND BALANCE</u>			
Reserved for:			
Prepaid Expenditures	\$ 17,057	\$ 0	17,057
Fire Protection	0	196,042	196,042
Building Inspections	2,438	0	2,438
Unreserved			
Undesignated	248,855	0	248,855
Total Fund Balance	<u>\$ 268,350</u>	<u>\$ 196,042</u>	<u>\$ 464,392</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 278,090</u>	<u>\$ 196,068</u>	<u>\$ 474,158</u>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balances for Governmental Funds	\$	464,392
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	21,889	
Buildings	175,834	
Infrastructure	97,714	
Improvements Other Than Buildings	4,498	
Equipment, Furniture and Fixtures	96,829	
Accumulated Depreciation	<u>(78,417)</u>	318,347

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds

Personal Property Taxes Receivables		<u>59</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>782,798</u></u>
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The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>TOTALS</u>
<u>REVENUES</u>			
Taxes	\$ 95,058	\$ 75,551	\$ 170,609
Licenses and Permits	25,932	0	25,932
State Grants	161,649	0	161,649
Charges for Services	3,668	0	3,668
Interest and Rents	8,378	1,294	9,672
Other Revenues	18,179	0	18,179
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 312,864	\$ 76,845	\$ 389,709
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Legislative	\$ 33,641	\$ 0	\$ 33,641
General Government	189,716	0	189,716
Public Safety	44,116	36,000	80,116
Public Works	102,361	0	102,361
Community and Economic Development	13,614	0	13,614
Culture and Recreation	1,053	0	1,053
Other Functions	8,176	0	8,176
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 392,677	\$ 36,000	\$ 428,677
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ (79,813)	\$ 40,845	\$ (38,968)
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE -</u> Beginning of Year	<hr/> 348,163	<hr/> 155,197	<hr/> 503,360
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE -</u> End of Year	<hr/> \$ 268,350	<hr/> \$ 196,042	<hr/> \$ 464,392
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$ (38,968)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(15,684)
Capital Outlay	140,396

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in personal property tax revenue deferred using the modified accrual method	<u>59</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 85,803</u></u>
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The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2005

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	\$ 82,113
Due from Other Governments	<u>380,891</u>
 TOTAL ASSETS	 <u>\$ 463,004</u>
<u>LIABILITIES</u>	
Due to Other Governments	\$ 454,540
Due to Other Funds	<u>8,464</u>
 TOTAL LIABILITIES	 <u>\$ 463,004</u>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Mecosta Township is a general law township located in Mecosta County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Mecosta Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

Additionally Mecosta Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The Mecosta Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Mecosta Township Board at the Board's first meeting of each fiscal year. (April meeting)
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in (a).
- (e) Bankers; acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- (h) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- (j) The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

funds." Any residual balances outstanding between governmental activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Mecosta Township totaled \$54,031,622, on which ad valorem taxes levied consisted of 1.2500 mills for the Mecosta Township operating purposes, and 1.4352 mills for Mecosta Township fire protection. These levies raised approximately \$94,162 for operating purposes and \$75,328 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land and Building improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Vehicles	5
Equipment	5-10

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 30, 2004, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits and investments are owned by several of the Township's funds. A total of \$225,823 of the Township's \$510,048 of total bank investments and deposits are in accounts which exceed federal depository insurance and are uncollateralized. The remaining \$284,225 of bank deposits and investments are fully insured. All bank deposits and investments are in the Chemical Bank West, Midland, Michigan. At year-end, the carrying amount of the Township's deposits was \$496,416, and the bank balance was \$510,048.

The carrying amount of the Township's deposits and investments at year-end are shown below:

	BANK DEPOSITS	
	COMMERCIAL ACCOUNTS	MONEY MARKET ACCOUNTS
General Fund	\$ 32,491	\$ 190,631
Fire Fund	6,914	184,267
Current Tax Collection Fund	82,113	0
	<u>\$ 121,518</u>	<u>\$ 374,898</u>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

A reconciliation of cash follows:

Government-wide Statement of Net Assets

Cash	\$	414,303
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Statement of Fiduciary Net Assets

Cash		82,113
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	\$	<u>496,416</u>
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B. Receivables

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Fire</u>	<u>Total</u>
Receivables			
Taxes	\$ 6,109	\$ 4,887	\$ 10,996
Due from Other Governments	<u>23,338</u>	<u>0</u>	<u>23,338</u>
Receivables	<u>\$ 29,447</u>	<u>\$ 4,887</u>	<u>\$ 34,334</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components to deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue	
	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 33	\$ 0
Delinquent property taxes receivable (Fire Fund)	<u>26</u>	<u>0</u>
	<u>\$ 59</u>	<u>\$ 0</u>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 3,309	\$ 18,580	\$ 0	\$ 21,889
Capital assets, being depreciated				
Buildings	\$ 174,934	\$ 900	\$ 0	\$ 175,834
Infrastructure	0	97,714	0	97,714
Improvements Other Than Buildings	4,498	0	0	4,498
Machinery and Equipment	73,628	23,201	0	96,829
Total capital assets, being depreciated	\$ 253,060	\$ 121,815	\$ 0	\$ 374,875
Less accumulated depreciation for:				
Buildings	\$ 29,445	\$ 4,782	\$ 0	\$ 34,227
Infrastructure	0	2,697	0	2,697
Improvements Other Than Buildings	757	268	0	1,025
Machinery and Equipment	32,531	7,937	0	40,468
Total accumulated depreciation	\$ 62,733	\$ 15,684	\$ 0	\$ 78,417
Total capital assets, being depreciated, net	\$ 190,327	\$ 106,131	\$ 0	\$ 296,458
Governmental activities capital assets, net	\$ 193,636	\$ 124,711	\$ 0	\$ 318,347

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

 General Government \$ 15,684

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2005 were:

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
General Fund	\$ 8,464	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	0	8,464
	\$ 8,464	\$ 8,464
Amount expected to be repaid within one year:	\$ 8,464	

E. Long-Term Debt

At March 31, 2005, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE

Restricted

General Fund

Prepaid Expenditures	\$ 17,057	
Building Inspection	2,438	\$ 19,495
Special Revenue Funds		
Special Purposes		196,042
TOTAL FUND BALANCE RESERVED		\$ 215,537

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Mecosta-Austin Fire Department

The Mecosta-Austin Fire Department is a joint venture by and between the townships of Mecosta and Austin. This joint venture was created to provide fire protection for the listed governments.

For the year ended March 31, 2005, the Township contributed a total of \$36,000 to the Fire Authority.

The following financial information was taken from the Fire Authority's March 31, 2004 audited financial statements:

Total Assets	\$ 20,015
Fund Balance – Unreserved	20,015
Total Receipts	148,750
Total Disbursements	167,271
Net Increase (Decrease) in Fund Balance	(18,521)

A copy of these audited financial statements may be obtained upon request from the Fire Authority Treasurer.

C. Retirement Plan

The Township has a defined contribution pension plan with Manufacturers Life Insurance Company which covers all elected officials. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. An employee's normal retirement date is age 65 except for those who choose early retirement.

Township contributions to the plan for 2004-2005 amounted to \$12,678 including administration fees of \$747. Total covered payroll amounted to \$60,121 and total wages including non-covered payroll was \$104,695.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND				FIRE FUND			
	ORIGINAL	FINAL		VARIANCE	ORIGINAL	FINAL		VARIANCE
	BUDGET	BUDGET	ACTUAL	WITH FINAL	BUDGET	BUDGET	ACTUAL	WITH FINAL
				BUDGET				BUDGET
<u>REVENUES</u>								
Taxes	\$ 79,100	\$ 79,100	\$ 95,058	\$ 15,958	\$ 82,000	\$ 82,000	\$ 75,551	\$ (6,449)
Licenses and Permits	40,500	40,500	25,932	(14,568)	0	0	0	0
State Grants	140,000	140,000	161,649	21,649	0	0	0	0
Charges for Services	1,500	1,500	3,668	2,168	0	0	0	0
Interest and Rents	6,000	6,000	8,378	2,378	1,000	1,000	1,294	294
Other Revenues	5,000	5,000	18,179	13,179	0	0	0	0
Total Revenues	\$ 272,100	\$ 272,100	\$ 312,864	\$ 40,764	\$ 83,000	\$ 83,000	\$ 76,845	\$ (6,155)
<u>EXPENDITURES</u>								
Legislative	\$ 42,000	\$ 40,700	\$ 33,641	\$ 7,059	\$ 0	\$ 0	\$ 0	\$ 0
General Government	158,000	207,700	189,716	17,984	0	0	0	0
Public Safety	45,000	45,000	44,116	884	35,000	35,000	36,000	(1,000)
Public Works	100,000	103,000	102,361	639	0	0	0	0
Community and Economic Development	20,000	20,000	13,614	6,386	0	0	0	0
Recreation and Culture	1,000	1,500	1,053	447	0	0	0	0
Other Functions	0	11,000	8,176	2,824	0	0	0	0
Contingency	106,100	43,200	0	43,200	48,000	48,000	0	48,000
Total Expenditures	\$ 472,100	\$ 472,100	\$ 392,677	\$ 79,423	\$ 83,000	\$ 83,000	\$ 36,000	\$ 47,000
Excess (Deficiency) of Revenues Over Expenditures	\$ (200,000)	\$ (200,000)	\$ (79,813)	\$ 120,187	\$ 0	\$ 0	\$ 40,845	\$ 40,845
<u>FUND BALANCE</u> - Beginning of Year	200,000	200,000	348,163	148,163	40,000	40,000	155,197	115,197
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 268,350	\$ 268,350	\$ 40,000	\$ 40,000	\$ 196,042	\$ 156,042

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Commercial Account	\$ 32,491
Money Market Account	115,460
Certificate of Deposit	75,171
Taxes Receivable	6,109
Due from Other Funds	8,464
Due from Other Governments	23,338
Prepaid Expenditures	17,057
	<hr/>
TOTAL ASSETS	\$ 278,090
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 5,772
Payroll Withholding	3,160
Customer Deposits	775
Deferred Revenue	33
	<hr/>
Total Liabilities	9,740
	<hr/>

FUND BALANCE

Balance	
Reserved for Prepaid Expenditures	17,057
Reserved for Building Inspections	2,438
Unreserved	248,855
	<hr/>
Total Fund Balance	268,350
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TOTAL LIABILITIES AND FUND BALANCE	\$ 278,090
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MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes	\$ 79,100	\$ 95,058
Licenses and Permits	40,500	25,932
State Grants	140,000	161,649
Charges for Services	1,500	3,668
Interest and Rents	6,000	8,378
Other Revenues	5,000	18,179
	<u>272,100</u>	<u>312,864</u>
Total Revenues		
	<u>272,100</u>	<u>312,864</u>
<u>EXPENDITURES</u>		
Legislative		
Township Board	40,700	33,641
General Government		
Supervisor	23,100	20,327
Assessor	27,200	24,368
Election	8,500	7,607
Clerk	46,000	40,925
Board of Review	2,000	1,111
Treasurer	37,100	31,715
Building and Grounds	57,000	57,037
Cemetery	6,800	6,626
Public Safety	45,000	44,116
Public Works	103,000	102,361
Community and Economic Development	20,000	13,614
Recreation and Culture	1,500	1,053
Other Functions	11,000	8,176
Contingency	43,200	0
	<u>472,100</u>	<u>392,677</u>
Total Expenditures		
	<u>472,100</u>	<u>392,677</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(200,000)	(79,813)
<u>FUND BALANCE</u> - Beginning of Year	200,000	348,163
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 268,350</u>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2005

TAXES

Current Property Taxes	\$ 94,129	
Delinquent Property Tax	850	
Swamp Tax	<u>79</u>	
Total Taxes		95,058

LICENSES AND PERMITS

Zoning Permits	2,391	
Building Permits	23,423	
Dog Licenses	<u>118</u>	
Total Licenses and Permits		25,932

STATE GRANTS

State Revenue Sharing		
Sales and Use Tax	157,026	
Telecommunications Right of Way Maintenance	<u>4,623</u>	161,649

CHARGES FOR SERVICES

Cemetery Lot Sales	400	
Cable Franchise	<u>3,268</u>	3,668

INTEREST AND RENTS

Interest Earnings	5,853	
Hall Rental	<u>2,525</u>	
Total Interest and Rents		8,378

OTHER REVENUES

Refunds and Rebates	6,177	
Miscellaneous	628	
Sale of Fixed Assets	<u>11,374</u>	
Total Other Revenues		<u>18,179</u>
TOTAL GENERAL FUND REVENUES		<u>\$ 312,864</u>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board

Personal Services	\$	5,610
Employee Benefits		1,742
Supplies		7,363
Other Services and Charges		12,075
Capital Outlay		<u>6,851</u>

Total Legislative 33,641

GENERAL GOVERNMENT

Supervisor

Personal Services	10,560	
Employee Benefits	2,890	
Supplies	452	
Other Services and Charges	6,046	
Capital Outlay	<u>379</u>	20,327

Assessor

Supplies	166	
Other Services and Charges	22,932	
Capital Outlay	<u>1,270</u>	24,368

Elections

Personal Services	4,039	
Employee Benefits	203	
Supplies	52	
Other Services and Charges	<u>3,313</u>	7,607

Clerk

Personal Services	24,250	
Employee Benefits	5,989	
Supplies	1,439	
Other Services and Charges	6,963	
Capital Outlay	<u>2,284</u>	40,925

Board of Review

Personal Services	930	
Supplies	122	
Other Services and Charges	<u>59</u>	1,111

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

Treasurer			
Personal Services	22,461		
Employee Benefits	4,633		
Supplies	1,650		
Other Services and Charges	<u>2,971</u>	31,715	
Building and Grounds			
Personal Services	5,725		
Employee Benefits	413		
Supplies	6,758		
Other Services and Charges	15,713		
Capital Outlay	<u>28,428</u>	57,037	
Cemetery			
Personal Services	120		
Supplies	410		
Other Services and Charges	<u>6,096</u>	<u>6,626</u>	
Total General Government			189,716
<u>PUBLIC SAFETY</u>			
Building Inspection			
Personal Services		30,886	
Employee Benefits		2,878	
Supplies		642	
Other Services and Charges		9,251	
Capital Outlay		<u>459</u>	
Total Public Safety			44,116
<u>PUBLIC WORKS</u>			
Highways, Streets and Bridges			
Other Services and Charges		4,647	
Capital Outlay		<u>97,714</u>	
Total Public Works			102,361

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

COMMUNITY AND ECONOMIC DEVELOPMENT

Zoning

Personal Services	9,548
Employee Benefits	1,115
Supplies	316
Other Services and Charges	<u>2,635</u>

Total Community and Economic Development	13,614
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RECREATION AND CULTURE

Recreation and Parks

Personal Services	245
Employee Benefits	19
Supplies	565
Other Services and Charges	<u>224</u>

Total Recreation and Cultural	1,053
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OTHER FUNCTIONS

Insurance and Bonds

Other Services and Charges	<u>8,176</u>
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TOTAL GENERAL FUND EXPENDITURES	<u><u>\$ 392,677</u></u>
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MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Commercial Account	\$ 6,914
Money Market Account	184,267
Taxes Receivable	<u>4,887</u>
 TOTAL ASSETS	 <u><u>\$ 196,068</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred Revenue	\$ 26
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FUND BALANCE

Reserved for Fire Protection	<u>196,042</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 196,068</u></u>
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MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes		
Current Property Taxes	\$ 82,000	\$ 75,302
Delinquent Property Taxes and Interest	0	249
Interest and Rents		
Interest Income	1,000	1,294
Total Revenues	<u>\$ 83,000</u>	<u>\$ 76,845</u>
<u>EXPENDITURES</u>		
Public Safety		
Aid to Other Government		
Mecosta-Austin Fire Department	\$ 35,000	\$ 36,000
Contingency	48,000	0
Total Disbursements	<u>\$ 83,000</u>	<u>\$ 36,000</u>
Excess of Revenues		
Over (Under) Expenditures	\$ 0	\$ 40,845
<u>FUND BALANCE</u> - Beginning of Year	<u>40,000</u>	<u>155,197</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 40,000</u></u>	<u><u>\$ 196,042</u></u>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2005

	BALANCE			BALANCE
	4/1/2004	ADDITIONS	DEDUCTIONS	3/31/2005
<hr/>				
<u>ASSETS</u>				
Cash				
Commercial Account	\$ 11,741	\$ 2,838,490	\$ 2,768,118	\$ 82,113
Due from Other Governments	0	380,891	0	380,891
	<hr/>			
TOTAL ASSETS	\$ 11,741	\$ 3,219,381	\$ 2,768,118	\$ 463,004
	<hr/>			
<u>LIABILITIES</u>				
Refunds Payable to Taxpayers	\$ 0	\$ 3,984	\$ 3,984	\$ 0
Due to Other Governments	0	3,056,371	2,601,831	454,540
Due to Other Funds	11,741	159,026	162,303	8,464
	<hr/>			
TOTAL LIABILITIES	\$ 11,741	\$ 3,219,381	\$ 2,768,118	\$ 463,004
	<hr/>			

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

STATEMENT OF 2004 REGULAR TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County	\$ 398,945	
County - State Education Tax	324,291	
Township		
Operating	67,555	
Fire	54,042	
School		
Morley Stanwood Community Schools	739,082	
Intermediate School		
Mecosta - Osceola	<u>221,203</u>	\$ 1,805,118

TAXES COLLECTED

County	\$ 362,865	
County - State Education Tax	301,876	
Township		
Operating	61,446	
Fire	49,155	
School		
Morley Stanwood Community Schools	671,688	
Intermediate School		
Mecosta - Osceola	<u>201,198</u>	<u>1,648,228</u>

TAXES RETURNED DELINQUENT

County	\$ 36,080	
County - State Education Tax	22,415	
Township		
Operating	6,109	
Fire	4,887	
School		
Morley Stanwood Community Schools	67,394	
Intermediate School		
Mecosta - Osceola	<u>20,005</u>	<u>\$ 156,890</u>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

STATEMENT OF 2004 INDUSTRIAL FACILITIES TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County	\$ 157,123	
County - State Education Tax	41,704	
Township		
Operating	26,607	
Fire	21,286	
School		
Morley Stanwood Community Schools		
Local Share	148,999	
State Share	380,891	
Intermediate School		
Mecosta - Osceola		
Local Share	55,198	
State Share	<u>31,926</u>	\$ 863,734

TAXES COLLECTED

County	\$ 157,123	
County - State Education Tax	41,704	
Township		
Operating	26,607	
Fire	21,286	
School		
Morley Stanwood Community Schools		
Local Share	148,999	
State Share	380,891	
Intermediate School		
Mecosta - Osceola		
Local Share	55,198	
State Share	<u>31,926</u>	<u>863,734</u>

TAXES RETURNED DELINQUENT

County	\$ 0	
County - State Education Tax	0	
Township		
Operating	0	
Fire	0	
School		
Morley Stanwood Community Schools		
Local Share	0	
State Share	0	
Intermediate School		
Mecosta - Osceola		
Local Share	0	
State Share	<u>0</u>	<u>\$ 0</u>

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

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1902 - 1990
JACK H. BAIRD, C.P.A.
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DALE D. COTTER, C.P.A.

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

May 16, 2005

LETTER COMMENTS AND RECOMMENDATIONS

To the Township Board
Mecosta Township
Mecosta County
Stanwood, Michigan

During the course of our audit of the basic financial statements of Mecosta Township for the year ended March 31, 2005, we noted the following items:

Condition of Accounting Records

Continued improvements in the accounting and recordkeeping of the Township books and accounts were made during the last year. We would like to compliment the clerk and treasurer for their hard work and diligence in improving the accounting records. While improvement was made during the year, both the clerk and treasurer need to improve on reviewing financial reports each month for items such as misclassifications and odd or unusual items that require further investigation. Additionally, this review and comparison to budget will help the Township continue to improve its internal reporting process.

We would like to take this opportunity to thank the Mecosta Township Board for awarding our firm the audit for the year ended March 31, 2005, and to express our appreciation of the efforts put in by the various employees and elected officials of the Township. We found the cooperation and willingness to provide us the data which we requested to be positive. Should you have any questions relative to the above comments or other areas of your accounting records, please call on us for assistance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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May 16, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Mecosta Township
Mecosta County
Stanwood, Michigan

In planning and performing our audit of the financial statements of Mecosta Township, Stanwood, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.